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August 1, 2008

Rae McBryant, Park Superintendent
Calico Ghost Town Regional Park
P.O. Box 638
Yermo, CA 92398

SUBJECT: CASH CONTROL AUDIT

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing and the Standard Practice for Cash and Internal Controls, we have completed the cash control audit of Calico Ghost Town Regional Park. Our audit was conducted in accordance with the standards developed by the International Standards for the Professional Practice of Internal Auditing.

Background

Calico Ghost Town Regional Park is one of nine parks managed by the County's Regional Parks Administration. The Park has three authorized cash funds, which total \$7,250. The various recreational activities offered within the park are the primary resources for cash in-flows.

Scope of Audit

Our objective was to determine whether the cash handling controls practice were effective. Specifically, we determined whether:

- Cash assets were properly safeguarded.
- Cash deposits were made on a timely basis.
- Cash funds were managed in accordance with the County's Internal Control and Cash Manual.
- Policies and procedures were effectively communicated to the operating personnel.

We accomplished our objectives by performing the following audit procedures:

- We performed surprise cash counts of all the authorized cash funds and undeposited cash sales.
- We reviewed cash deposits for the period of July 1, 2006 through December 31, 2006.
- We interviewed Park personnel regarding cash fund management.
- We inquired of management regarding the communication of policies and procedures to the staff members.

A draft report was sent to the Department and discussed with management on March 21, 2008. The department's responses to our recommendations are included in this report.

Overall Conclusion

We have concluded that the cash handling controls at Calico Ghost Town Regional Park need to be improved to better safeguard cash assets. The improvements needed were specially related to:

- Overall cash control safeguards
- Account receivable procedures
- Management of authorized cash funds
- Supervisory oversight procedures

Findings and Recommendations

The specific policies, procedures, and practices that need improvement are discussed below.

Audit Finding #1 Account receivable procedures need to be improved.

The County's Internal Control and Cash Manual, Chapter 14, states that account receivable duties must be segregated so that no one person has full control and an accounts receivable control ledger must be maintained for all receivables and must contain the balance due per account.

The account receivable procedures are not properly segregated between employees. Office assistants are allowed to receive checks in the post office, enter receipts into the register and prepare deposits. Due to the staff's lack of knowledge of account receivables policies and procedures, an account receivable ledger is not being maintained to indicate a balance due per account nor are they being reviewed by a supervisor. Additionally, employees have not received training or manuals on policies and procedures regarding the account receivable collection process or the Peachtree accounting system.

Without properly managing accounts receivables, the Park risks a loss in revenue.

Recommendation

Management should implement the use of an accounts receivable ledger per account that complies with Chapter 14 of the Internal Controls Cash Manual and ensure duties are segregated so that the person collecting the checks is not the same person posting the accounts receivable or preparing the deposit. The park also needs to implement written procedures that address the accounts receivable collection process and provide employees with such procedures and access to the Internal Controls Cash Manual for guidance.

Management's Response:

There has been a ledger built to record checks received. There are two people present when cash handling is taking place. We have a policy and procedure manual for the office and we used the internal controls cash manual as our guidelines.

Auditor's Response:

Management's response addresses actions subsequently taken to correct the deficiencies noted in the audit finding.

Audit Finding #2 Management of the Cash Funds needs to be improved.

The County's Internal Control and Cash Manual, Chapter 4, states cash funds should be reconciled at least once a month. Additionally, the reconciliations should be performed by someone other than the fund custodian and of a higher-ranking job code.

The following conditions were disclosed during our review:

- The \$5,000 festival change fund was only counted twice since fiscal year 06/07 began.
- The cash difference fund is not counted or reconciled by someone other than the fund custodian.
- The petty cash fund is not reconciled on a monthly basis.
- Per statements of park personnel the reconciliations that are performed are conducted by the custodian and signed off by a supervisor later.

The risk of misappropriation of cash assets increases if management does not properly manage cash funds by not performing independent reconciliations to ensure the fund is in tact or that transactions are properly recorded.

Recommendation

Management should perform monthly cash counts/reconciliations to minimize the risk of misappropriation.

Management's Response:

The cash difference fund and the petty cash fund are counted weekly by the fund custodian or ranger II and supervisor and the change fund is counted every day by the fund custodian or ranger II. Regarding the \$5,000.00 festival change fund, \$3,000 was deposited into the bank account and the remainder was added to the change fund. Both I (Park Superintendent) and/or Mr. Weixel (Asst Park Superintendent) are counting the funds monthly and it's documented on an audit worksheet.

Auditor's Response:

Management's response addresses actions subsequently taken to correct the deficiencies noted in the audit finding.

We would like to express our appreciation to the staff at the Regional Parks Department for their support and cooperation during the audit.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: Howard M. Ochi, CPA —
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